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SUBJECT: BOLIVIA - MOVING FORWARD WITH LITHIUM PRODUCTION ON ITS OWN

REF: 09 LA PAZ 267

CLASSIFIED BY: John S. Creamer, Charge D'Affaires, Department of State, Embassy La Paz; REASON: 1.4(B), (D)

¶1. (C) SUMMARY. The Bolivian government is moving forward with its ambitious plans to produce 100,000 tons a year of lithium carbonate by 2013, starting with President Morales' inauguration of a pilot lithium processing plant on October 30. The GOB has made it clear it is not interested in international investment unless lithium batteries and electric cars are produced in Bolivia. Despite Bolivia's vast reserves and serious international investor interest, the GOB's policies are discouraging investors and making it unlikely Bolivia will become a major lithium carbonate or lithium battery producer in the near future. END SUMMARY.

GOB MOVING FORWARD WITHOUT INTERNATIONAL INVESTORS

¶2. (U) Bolivia's Salars (salt flats) de Uyuni and Coipasa are estimated to hold as much as half of the world's lithium reserves. (The U.S. Geological Survey estimates there are 5.4 million tons of lithium in Bolivia.) There was international and U.S. interest in extracting the lithium during the 1980s and 1990s, with no results. Still, interest has recently revived due to the growth in usage of lithium batteries and electric vehicles. In March 2008 the GOB, through the state mining company COMIBOL, began construction of a pilot processing plant at the Salar de Uyuni to help determine the quantity and quality of the lithium, as well as the best method for extraction. The production of the first lithium carbonate by the plant was celebrated by a visit from President Morales in October ¶2009. The plant is also capable of processing potassium.

¶3. (U) The GOB has invested \$350 million in the pilot processing plant, and hopes to produce 100,000 tons of lithium carbonate and 800,000 tons of potassium carbonate or potassium sulfide per year when fully functional in 2013. With these estimates, the GOB hopes to make \$150 million a year from the sale of lithium carbonate and \$350 million a year from the sale of potassium carbonate and

sulfide. The GOB says the pilot plant will start by producing 30,000 tons of lithium carbonate a year in 2010, roughly 25% of global supply.

14. (U) The GOB insists on producing the lithium carbonate without the assistance or involvement of foreign investors. Saul Cabrera, Director General of Science and Technology in the Ministry of Planning and Development, told us "the GOB will solely own the process until lithium carbonate is produced." Once the Bolivians produce lithium carbonate on their own, they will welcome investors to turn the lithium carbonate into batteries and to produce electric cars in Bolivia, but only under conditions in which the GOB would hold a majority share. Minister of Mining Luis Alberto Echazu recently said, "The exploitation of these resources will be in the control of the Bolivian state and its national enterprises...Our policy is to have alliances with other countries who have experience in this technology...and the Bolivian state has to have a majority share...The world needs to know that Bolivia cannot continue to export raw materials like over the past 500 years."

INTERNATIONAL INTEREST REMAINS

15. (U) The GOB held the "First International Forum of Science and Technology for the Industrialization of Lithium and other Evaporative Resources" at the end of October. Regional (Argentina, Chile, Ecuador, and Brazil) and international (France, China, and Japan) representatives gave technical presentations; two

large conference rooms were full with attendees. This, along with frequent press reports and random inquiries to the Embassy, underscore what great interest there is worldwide in Bolivia's lithium reserve.

16. (SBU) There has been interest from a few international companies in the exploitation of the lithium reserves, but almost all have said that with the current GOB policy they are not prepared to invest at this point. France, Korea, Japan, China, and Iran have been asked by the GOB and are willing to be part of a technical committee to further explore the best procedure to extract and process the lithium. But, it appears that this committee has formed in name only. Despite press reports to the contrary, the Japanese Embassy told us that no meetings have been held and they have not been asked for technical advice up to this point.

17. (C) The French company Bollore; a Japanese consortium of Mitsubishi, Sumitomo, and a state-run company JOGMEC; and the Korean Resources Company (KORES) have expressed serious interest in investing in this sector and have met with the GOB. All say that any investments will need to be on market terms, however, and that the GOB's current rules for investing in this sector make it not worth pursuing at this time. Japanese Economic Officer told us the GOB wants their proprietary technology on how to make batteries for free, and the Japanese are not going to give it to them. The Bollore President said they also "have a real interest in investing in the extraction of lithium and the production of batteries in Bolivia... but at the moment it has not moved beyond conversations."

IS IT WORTH IT?

18. (SBU) With additional attention on Bolivia's lithium reserves, more scientists have taken a closer look at the economic viability of extraction. The U.S. Geological Survey and other industry experts seem to agree that the reserves just across the border in Chile have much better evaporative characteristics (evaporation is an essential part of the extraction process). The reserves in Bolivia are less concentrated and the conditions for evaporation are worse. Some believe the processing needed to extract the lithium and the lack of infrastructure near the reserves make it not economically viable at this time, although the Japanese and Koreans have told us these are not insurmountable obstacles.

¶9. (U) If the GOB does complete its processing plants on time for 2013 it could catch what the Japanese believe will be peak demand in 2015. Still, industry experts believe lithium production from existing operations is sufficient to meet the potential demand for 500,000 lithium-powered vehicles in 2015, and could even meet the demand for 2 million electric or hybrid-electric vehicles in the same period. Industry experts also suggest that current lithium production facilities in Chile, Canada, and Asia could ramp up production by 25% at a cost of \$40-50 million, much less than the \$350 million being invested in the plant in Bolivia.

¶10. (U) In addition to the lithium, there is great interest in the potassium found in the salt flats. With the potential for even more potassium than lithium, Bolivian companies are eager to capitalize on domestically produced potassium for a domestic market and even create an international market for their product. Potassium is a main ingredient in fertilizer and Bolivia has a large and developing agricultural industry. Potassium is also used in photography, medicine, soaps, and explosives. The salt flats also contain boron (used in agriculture, ceramics, glass, soaps, and detergents) and magnesium.

COMMENT

¶11. (C) Despite long odds, the Bolivian government maintains it will go forward with its ambitious plans. The GOB's insistence on controlling these resources reflects a desire not to repeat the history of foreigners "stealing" its raw materials, but its conditions required to date are a serious obstacle to private investment. Foreign investor interest remains strong, but the GOB will have to relax its restrictions on investment if it is to convert its dream of exploiting lithium reserves in to a reality.
Creamer